Civil Action No. 5:22-cv-323

EXHIBIT 1

FILED 2/14/2022 3:07 PM Case 5:22-cv-00323 Document 1-1 Filed 04/01/22 Page 2 of 15

Mary Angie Garcia Bexar County District Clerk Accepted By: Krystal Torres Bexar County - 225th District Court

2022CI02667

CAUSE NO	·	
JAMES M. SWEENEY, INDIVIDUALLY,	§	IN THE DISTRICT COURT OF
AND THE JAMES M. SWEENEY TRUST,	§	
	§	
Plaintiffs,	§	
	§	
v.	§	
	§	BEXAR COUNTY, TEXAS
	§	
HOY HEALTH LLC AND	§	
HOY HEALTH CORPORATION,	§	
	§	
Defendants.	§	JUDICIAL DISTRICT

PLAINTIFFS' ORIGINAL PETITION

Plaintiffs James M. Sweeney, individually ("Mr. Sweeney") and James M. Sweeney, as Trustee for the James M. Sweeney Trust ("The Sweeney Trust"), file this Original Petition complaining of Hoy Health LLC and Hoy Health Corporation (collectively, "Hoy").

I. DISCOVERY CONTROL PLAN

1. Pursuant to the Texas Rules of Civil Procedure 190.4, Plaintiffs intend for discovery to be conducted by a Level 3 discovery control plan.

II. RULE 47 STATEMENTS

- 2. Pursuant to Texas Rule of Civil Procedure 47(a), a short statement of the causes of action sufficient to give fair notice of the claims involved are contained in the various sections set forth below.
- 3. Pursuant to Texas Rule of Civil Procedure 47(c)(4), Plaintiffs seek monetary relief over \$1,000,000.

4. Pursuant to Texas Rule of Civil Procedure 47(b), the damages sought are within the jurisdictional limits of this Court.

III. PARTIES

- 5. Mr. Sweeney is an individual residing in Texas.
- 6. The Sweeney Trust is a trust created under the laws of California with a principal place of business in Texas. Mr. Sweeney is the Trustee of the Sweeney Trust with standing to bring claims on its behalf.
- 7. Upon information and belief, Hoy Health LLC is a Delaware limited-liability corporation with a principal place of business at 45 S. Park Place #228, Morristown, New Jersey 07960, and offices at 5723 University Heights Blvd., Suite 12, San Antonio, Texas 78249. Hoy Health LLC may be served through its registered agent, The Company Corporation, at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808.
- 8. Upon information and belief, Hoy Health Corporation is a Delaware corporation with a principal place of business at 45 S. Park Place #228, Morristown, New Jersey 07960 and offices at 5723 University Heights Blvd., Suite 12, San Antonio, Texas 78249. Hoy Health Corporation may be served through its registered agent, National Registered Agents, Inc., at 1209 Orange Street, Wilmington, Delaware 19801.

IV. JURISDICTION AND VENUE

- 9. Plaintiffs seek monetary relief more than the minimum jurisdictional limits of this Court.
- 10. Further support for jurisdiction is provided in Article V, Sections I and VIII of the Texas Constitution and Sections 24.007 and 24.008 of the Texas Government Code.

- 11. The basis of the lawsuit involves events occurring in the State of Texas, and at all times relevant, Hoy had systematic and continuous contacts with the State of Texas.
- 12. A substantial amount of the conduct described in this lawsuit occurred in Bexar County, Texas.
- 13. Pursuant to Texas Civil Practice and Remedies Code Section 15.002(a)(1), venue is proper in Bexar County because Bexar County is where a substantial part of the events or omissions giving rise to the claims occurred.
- 14. Alternatively, pursuant to Texas Civil Practice and Remedies Code Section 15.002(4), venue is proper in Bexar County because it is the county in which Mr. Sweeney resided at the time of the accrual of the causes of action.

V. FACTS

Background of Mr. Sweeney.

- 15. Mr. Sweeney is an iconic and prolific healthcare entrepreneur in advanced home care models and healthcare technologies.
- 16. Mr. Sweeney is responsible for the establishment of the multi-billion-dollar home-infusion therapy industry and was an early pioneer in the remote-monitoring and telehealth sector.
- 17. Mr. Sweeney founded twelve healthcare companies, including (a) Caremark, which was acquired by CVS in 2007 for \$24 billion, (b) Coram, which was acquired by CVS in 2013 for \$2.1 billion, and (c) CardioNet (BioTelemetry), which was sold to Philips in 2021 for \$2.8 billion.
- 18. In addition, throughout his storied six-decade career, Mr. Sweeney raised \$2 billion in financing, including \$500 million in venture-capital funds, \$700 million in debt and \$400 million in IPOs.

- 19. Mr. Sweeney has successfully taken four companies public and led a leveraged buy out resulting in a 650% return to investors and 77% internal rate of return in less than four years.
 - 20. The \$2 billion invested resulted in \$30 billion exit value.
- 21. In short, prior to Mr. Sweeney's association with Hoy, his reputation was not just sterling, but it was one of (if not the single most) impressive reputation in his industry

Background of HFH.

- 22. One of Mr. Sweeney's most recent health-care companies was HomeFront Healthcare ("<u>HFH</u>"), for which he served as Executive Chairman and Founder, as well as a member of HFH's Board of Directors ("Board Seat").
- 23. In the short period of time since HFH's advent early in 2019, Mr. Sweeney raised millions of dollars in financing for HFH, including convertible debt of: (1) \$3 million from Bob Castellani through CCH HFH Holdings, LLC (with another \$2 million that Mr. Castellani committed by binding contract to HFH in the future), (2) \$2.5 million from Roy Block through RWBC Holdings, Inc., (3) \$2.5 million from Sudhir Damle through Kivale Partners LLP, and (4) \$300,000 from Craig Kruemwiede (collectively, the "Investors" who provided the "Investor Cash").
- 24. Additionally, The Sweeney Trust invested approximately \$800,000 into HFH ("Sweeney Investment"), making The Sweeney Trust the majority common stockholder in HFH and Mr. Sweeney (as the Trustee of The James M. Sweeney Trust) the individual with effective control over HFH ("HFH Company Control").

The Transaction and the Fraud.

25. Effective August 18, 2021, Hoy, HFH, Mr. Sweeney, the Investors, and other HFH common stockholders entered a transaction through which The Sweeney Trust abandoned and

provided to Hoy the Sweeney Investment, and Mr. Sweeney abandoned and provided to Hoy his HFH Company Control, his control over the Investor Cash, and his Board Seat.

- 26. The Sweeney Trust and Mr. Sweeney entered the transaction in reliance on express representations: (a) made by Mario Anglada (acting in capacity of Chief Executive Officer of Hoy) and Rodrigo Rodriguez-Novas (acting in his capacity as Chief Financial Officer of Hoy), (b) made to Mr. Sweeney (acting in his individual capacity and as trustee of The Sweeney Trust), (c) between the period of June 2021 through August 2021 (*e.g.*, on a telephonic meeting of the Board of Directors of HFH on June 22, 2021 during which Mr. Anglada participated), (d) during telephone conferences and at office conferences at 5723 University Heights Blvd., Suite 12, San Antonio, Texas 78249, and (e) comprised of statements that *if* The Sweeney Trust would abandon and provide to Hoy The Sweeney Investment, and *if* Mr. Sweeney would abandon and provide to Hoy his HFH Company Control, his control over the Investor Cash, and his Board Seat, *then* Hoy would have Mr. Sweeney serve as its long-term Chief Strategy Officer at an annual salary of \$300,000 and work as an integral part of the Hoy Management Team (collectively, "Misrepresentations").
 - 27. However, these Misrepresentations were false.

The Fraud Revealed.

- 28. One month after the transaction through which The Sweeney Trust and Mr. Sweeney abandoned and provided to Hoy The Sweeney Investment, HFH Company Control, control over the Investor Cash, Mr. Sweeney's Board Seat, Hoy unceremoniously terminated Mr. Sweeney without any notice ("<u>Termination</u>").
- 29. Due to the Termination: (a) Mr. Sweeney did not serve as Hoy's long-term Chief Strategy Officer, (b) Mr. Sweeney received only \$25,000 in payments from Hoy (before taxes),

- (c) and Mr. Sweeney did not serve as a part (let alone an integral part) of the Hoy Management Team (and, in fact, Hoy never even identified Mr. Sweeney on Hoy's website—either as its Chief Strategy Officer or in any other capacity).
- 30. Hoy's purported reasoning that it provided to Mr. Sweeney for the Termination occurring only weeks after the transaction (through which The Sweeney Trust and Mr. Sweeney abandoned and provided to Hoy The Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat) was that Hoy determined—incredibly enough, for the very first time—that Hoy apparently lacked the financial resources to have a position of Chief Strategy Officer after all ("Purported Justification").
- 31. Given the volume and materiality of the Misrepresentations, however, the Purported Justification was nothing short of a blatant fraud.
- 32. Indeed, Hoy clearly used the Misrepresentations to induce The Sweeney Trust and Mr. Sweeney to abandon and provide to Hoy the Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat, when all the time, Hoy *knew* that it never intended to have Mr. Sweeney serve as its long-term Chief Strategy Officer at an annual salary of \$300,000 or work as an integral part of the Hoy Management Team.
- 33. At the very least, and even taking the Purported Justification at face value (which, given Hoy's due diligence prior to closing the Transaction would be an absurd presumption to take at face value), Hoy would have committed any number of negligent misrepresentations.
- 34. Put simply, based on the Misrepresentations, Hoy swindled The Sweeney Trust and Mr. Sweeney out of the Sweeney Investment, the HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat.

VI. CAUSES OF ACTION

First Cause of Action – Fraudulent Misrepresentation

- 35. All the foregoing allegations are incorporated by reference for all purposes.
- 36. Hoy made material misrepresentations to The Sweeney Trust and Mr. Sweeney, including the statements that if The Sweeney Trust and Mr. Sweeney (neither of whom were represented by counsel at the time) would abandon and provide Hoy with the Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat, then Hoy would have Mr. Sweeney serve as its long-term Chief Strategy Officer at an annual salary of \$300,000 and work as an integral part of the Hoy Management Team.
- 37. The Misrepresentations were false, as Hoy *never* intended to have Mr. Sweeney serve as its long-term Chief Strategy Officer at an annual salary of \$300,000 or work as an integral part of the Hoy Management Team.
- 38. At the time Hoy made the Misrepresentations, Hoy knew the Misrepresentations to be false.
- 39. Hoy made the Misrepresentations with the intent that The Sweeney Trust and Mr. Sweeney rely on them and abandon and provide to Hoy The Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat.
- 40. The Sweeney Trust Mr. Sweeney relied to their detriment on the Misrepresentations, and The Sweeney Trust and Mr. Sweeney abandoned and provided to Hoy The Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat.

- 41. The Misrepresentations resulted in injuries to The Sweeney Trust, including the loss of the Sweeney Investment, which is approximately \$800,000.00 (exclusive of interest or the increased value of the investment over time).
- 42. The Misrepresentations also resulted in injuries to Mr. Sweeney, including loss of the HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat.
- 43. Additionally, the Misrepresentations caused Mr. Sweeney to suffer reputational damages, including as follows: (a) prior to the Misrepresentations and Termination, Mr. Sweeney maintained a superlative reputation as a prolific healthcare entrepreneur with abilities to raise investor financing; (b) due to the Misrepresentations and Termination, Mr. Sweeney's reputation in the industry and among potential investors suffered material damages, which in turn, impeded and continues to impede Mr. Sweeney's marketability to raise future investor financing and secure similar and/or future employment.
- 44. The reliance damages sought by The Sweeney Trust and Mr. Sweeney do not depend on Mr. Sweeney's continued employment with Hoy.
- 45. The harm under this cause of action with respect to which The Sweeney Trust and Mr. Sweeney resulted from fraud and/or malice.
- 46. As remedies for fraudulent misrepresentation, The Sweeney Trust and Mr. Sweeney seek, among other things, actual damages, exemplary damages, and rescission of the transaction described in paragraph 25 above. *See* TEX. CIV. PRAC. & REM. CODE § 41.003; *Ginn v. NCI Bldg. Sys.*, 472 S.W.3d 802, 837 (Tex.App.—Houston [1st Dist.] 2015, no pet. h.) ("Rescission is an equitable remedy that operates to extinguish a contract that is legally valid but must be set aside due to fraud, mistake, or for some other reason to avoid unjust enrichment.").

Second Cause of Action – Negligent Misrepresentation (Pleading in the Alternative)

- 47. All the foregoing allegations are incorporated by reference for all purposes.
- 48. Hoy made the Misrepresentations to The Sweeney Trust and Mr. Sweeney in the course of Hoy's business or in a transaction in which Hoy had an interest.
- 49. Hoy provided false information to The Sweeney Trust and Mr. Sweeney, including that if The Sweeney Trust and Mr. Sweeney (neither of whom were represented by counsel at the time) would abandon and provide Hoy the Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat, then Hoy would have Mr. Sweeney serve as its long-term Chief Strategy Officer at an annual salary of \$300,000 and work as an integral part of the Hoy Management Team.
- 50. Hoy provided this false information to The Sweeney Trust and Mr. Sweeney, including for the guidance of others, namely The Sweeney Trust and Mr. Sweeney.
- 51. Hoy failed to exercise reasonable care or competence in obtaining or communicating information, including whether Hoy maintained or lacked the financial resources to maintain the position of Chief Strategy Officer, and by extension, whether Hoy maintained or lacked the financial resources to have Mr. Sweeney serve as Hoy's long-term Chief Strategy Officer at an annual salary of \$300,000 and work as an integral part of the Hoy Management Team.
- 52. The Sweeney Trust and Mr. Sweeney justifiably relied to their detriment on the Misrepresentations and abandoned and provided to Hoy The Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat.
- 53. The Misrepresentations resulted in injuries to The Sweeney Trust, including the loss of the Sweeney Investment, which is approximately \$800,000.00 (exclusive of interest or the increased value of the investment over time).

- 54. The Misrepresentations also resulted in injuries to Mr. Sweeney, including loss of the HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat.
- 55. Additionally, the Misrepresentations caused Mr. Sweeney to suffer reputational damages, including as follows: (a) prior to the Misrepresentations and Termination, Mr. Sweeney maintained a superlative reputation as a prolific healthcare entrepreneur with abilities to raise investor financing; (b) due to the Misrepresentations and Termination, Mr. Sweeney's reputation in the industry and among potential investors suffered material damages, which in turn, impeded and continues to impede Mr. Sweeney's marketability to raise future investor financing and secure similar and/or future employment.
- 56. The reliance damages sought by The Sweeney Trust and Mr. Sweeney do not depend on Mr. Sweeney's continued employment with Hoy.
- 57. The harm under this cause of action with respect to which The Sweeney Trust and Mr. Sweeney resulted from gross negligence and/or malice.
- 58. As remedies for fraudulent misrepresentation, The Sweeney Trust and Mr. Sweeney seek, among other things, actual damages, exemplary damages, and rescission of the transaction described in paragraph 25 above. *See* TEX. CIV. PRAC. & REM. CODE § 41.003; *Ginn v. NCI Bldg. Sys.*, 472 S.W.3d 802, 837 (Tex.App.—Houston [1st Dist.] 2015, no pet. h.) ("Rescission is an equitable remedy that operates to extinguish a contract that is legally valid but must be set aside due to fraud, mistake, or for some other reason to avoid unjust enrichment.").

Third Cause of Action – Unjust Enrichment (Pleading in the Alternative)

- 59. All the foregoing allegations are incorporated by reference for all purposes.
- 60. Hoy wrongly secured or received the Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat.

- 61. Hoy is unjustly enriched because it obtained the Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat by fraud and the taking of undue advantage.
- 62. The fraud and taking of undue advantage included Hoy making material and knowingly false Misrepresentations to The Sweeney Trust and Mr. Sweeney that if The Sweeney Trust and Mr. Sweeney (neither of whom were represented by counsel at the time) would abandon and provide Hoy with the Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat, then Hoy would have Mr. Sweeney serve as its long-term Chief Strategy Officer at an annual salary of \$300,000 and work as an integral part of the Hoy Management Team.
- 63. As remedies for unjust enrichment, The Sweeney Trust and Mr. Sweeney seek, among other things, quasi-contract or restitution, by returning to The Sweeney Trust and Mr. Sweeney the Sweeney Investment, HFH Company Control, control over the Investor Cash, and Mr. Sweeney's Board Seat. Further, The Sweeney Trust and Mr. Sweeney seek rescission of the transaction described in paragraph 25 above. *See Ginn v. NCI Bldg. Sys.*, 472 S.W.3d 802, 837 (Tex.App.—Houston [1st Dist.] 2015, no pet. h.) ("Rescission is an equitable remedy that operates to extinguish a contract that is legally valid but must be set aside due to fraud, mistake, or for some other reason to avoid unjust enrichment.").

IX. PRAYER

- 64. Plaintiffs respectfully pray that the Court enter judgment in their favor and against Defendants on each of Plaintiffs' claims, as set forth above.
- 65. Plaintiffs further respectfully pray that after a trial on the merits, the Court shall grant Plaintiffs their actual damages, exemplary damages, rescission, quasi contract/restitution,

costs of court, pre-judgment interest, post-judgment interest, and all other and further relief, at law or in equity, to which Plaintiffs may be justly entitled.

Respectfully submitted,

/s/ Lawrence Morales II
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ATTORNEYS FOR PLAINTIFFS JAMES M. SWEENEY, INDIVIDUALLY THE JAMES M. SWEENEY TRUST

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CAUSE NUMBER (FOR CLERK USE ONLY): ______ COURT (FOR CLERK USE ONLY): _____

STYLED James M. Sweeney and The James M. Sweeney Trust v. Hoy Health, LLC and Hoy Health Corporation							
A civil case information sheet mu	e.g., John Smith v. All American Insurance ast be completed and submitted who ent petition for modification or mo	en an original petition or applicat	tion is filed to initiate	a new civi	il, family law, probate, or mental		
	n completing case information sho	eet: Names of parties in c	case:	Person	or entity completing sheet is:		
Name:				■ Attorn	ey for Plaintiff/Petitioner		
Lawrence Morales II	Email: Plaintiff(s)/Petitioner		Title		V-D Agency		
Lawrence Morales II			and The James				
Address:	Telephone:	M. Sweeney Trust			17		
6243 W. Interstate 10, #132	210-225-0811				al Parties in Child Support Case:		
City/State/Zip:	Fax:	Defendant(s)/Respond	lent(s): Custodia		Parent:		
San Antonio, TX 78201	210-225-0821	Hoy Health, LLC ar	nd				
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2. Indicate case type, or identity	the most important issue in the ca Civil	ise (select only 1):		Fam	ily Law		
					Post-judgment Actions		
Contract Debt/Contract	Injury or Damage ☐ Assault/Battery	Real Property Eminent Domain/	Marriage Relati Annulment	onship	(non-Title IV-D) Enforcement		
☐Consumer/DTPA	Construction	Condemnation	Declare Marria	ge Void	☐Modification—Custody		
☐Debt/Contract ■Fraud/Misrepresentation	☐Defamation Malpractice	☐Partition ☐Quiet Title	Divorce With Childre	en	☐Modification—Other Title IV-D		
Other Debt/Contract:	☐Accounting ☐Legal	☐Trespass to Try Title☐Other Property:	■No Children		■Enforcement/Modification		
Foreclosure	Medical	——————————————————————————————————————			☐Paternity ☐Reciprocals (UIFSA)		
☐ Home Equity—Expedited ☐ Other Foreclosure	☐ Other Professional Liability:				Support Order		
Franchise	Motor Vehicle Accident	Related to Criminal Matters	Other Family	Law	Parent-Child Relationship		
☐ Insurance ☐ Landlord/Tenant	Premises	■Expunction	■Enforce Foreig		Adoption/Adoption with		
☐Non-Competition ☐Partnership	Product Liability ☐ Asbestos/Silica	☐ Judgment Nisi☐ Non-Disclosure	Judgment Habeas Corpus	3	Termination ☐Child Protection		
Other Contract:	■Other Product Liability	Seizure/Forfeiture Writ of Habeas Corpus—	Name Change Protective Ord		☐Child Support☐Custody or Visitation		
	List Product:	Pre-indictment	Removal of Di		Gestational Parenting		
	Other Injury or Damage:	Other:	of Minority Other:		☐Grandparent Access☐Parentage/Paternity		
					■ Termination of Parental		
Employment	Other		_		Rights ☐Other Parent-Child:		
☐Discrimination☐Retaliation	☐Administrative Appeal ☐Antitrust/Unfair	■Lawyer Discipline■Perpetuate Testimony					
☐ Termination ☐ Workers' Compensation	Competition Code Violations	Securities/Stock Tortious Interference					
Other Employment:	Foreign Judgment	Other:					
	☐Intellectual Property						
Tax		Probate & M	!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!				
Tax Appraisal	Probate/Wills/Intestate Administ		Guardianship—Adul				
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	Other Estate Proceedings		Other:		_		
3. Indicate procedure or remedy	, if applicable (may select more the	an 1):					
Appeal from Municipal or Just	ice Court Declara	tory Judgment		gment Ren	nedy		
☐ Arbitration-related ☐ Garnishment ☐ Interpleader			☐ Protec	tive Order ver			
Bill of Review	Bill of Review			stration	-ining Onder/Trains (
☐Certiorari ☐Class Action	☐ Mandamus ☐ Temporary Restraining Order/Injunction ☐ Post-judgment ☐ Turnover				aming Order/Injunction		
	not select if it is a family law case):						
Less than \$100,000, including damages of any kind, penalties, costs, expenses, pre-judgment interest, and attorney fees Less than \$100,000 and non-monetary relief							
Over \$100, 000 but not more the Over \$200,000 but not more the	han \$200,000						
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Lawrence Morales on behalf of Lawrence Morales II Bar No. 24051077 lawrence@themoralesfirm.com Envelope ID: 61726707 Status as of 2/15/2022 8:12 AM CST

Case Contacts

Name	BarNumber	Email	TimestampSubmitted	Status
Lawrence Morales II		lawrence@themoralesfirm.com	2/14/2022 3:07:24 PM	SENT